



Claire McCaskill

Missouri State Auditor

June 2005

ECONOMIC DEVELOPMENT

Office of International Marketing



Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2005

The following problems were discovered as a result of an audit conducted by our office of the Department of Economic Development, Office of International Marketing.

The Office of International Marketing (OIM) reported and claimed success for approximately \$1.3, \$1.1, and \$3.1 billion in export sales for fiscal years 2004, 2003, and 2002, respectively. Our request for supporting documentation related to 42 export sales, totaling approximately \$1.6 billion, noted numerous discrepancies that raised substantial data integrity issues. Of those 42 export sales, the OIM could not provide adequate documentation to support 60 percent of the sales tested. OIM personnel stated that a majority of the export sales information was obtained by telephone calls or e-mail, which were neither documented nor maintained.

The OIM is claiming success on numerous export sales when it provided little or no assistance to the applicable Missouri company. For example:

- The OIM claimed success and reported an advocacy export sale for \$1.2 billion in fiscal year 2004. However, the OIM's function in assisting a company with an advocacy sale is very minimal; thus, it does not appear its performance should be enhanced by reporting these types of export sales in the same manner as a normal sale.
- Numerous export sales were reported by OIM's Korea office contractor in which the Missouri company did not know the Korea office was assisting them. The Korea office contractor contacted the Missouri company's representatives inquiring if they needed assistance, and occasionally provided possible international buyer contacts. As a result of this casual contact, the OIM's Korea office contractor reported export sales made by these Missouri companies in its reports to department officials.

The OIM is reporting export sales in their reports to the directors without ensuring the amount is accurate. For example:

- In several instances the same export sales amount was reported for several months. OIM personnel stated that it was OIM policy to claim success and report the export sales for one year when a Missouri company established a new international distributor as a result of the OIM's assistance. The OIM does not follow-up with the company to ensure monthly sales remained consistent month to month.

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- The OIM assisted a company in obtaining only the design portion of a \$6 million international project. However, the OIM did not know how much the company was going to receive for the design portion, so the whole amount was reported.
- A reported \$400,000 export sale was actually an import sale where the Missouri company had purchased products from an international company.

During the audit period, the OIM contracted with five contractors to provide international marketing services for Missouri business in offices located in Korea, Africa, Japan, Mexico, and Europe. These contract payments totaled approximately \$1.1 and \$1.2 million for fiscal years 2004 and 2003, respectively. The OIM failed to document their review of the contractors' monthly program reports and the year-end compliance reports prior to payment. Additionally, we noted the Europe, Japan, Korea, and Mexico contractors received more state funding than was budgeted to operate the international offices.

We noted several expenditures that did not appear to be a prudent use of state monies, for example:

- Japan office – Director bonus - \$14,000
- Mexico office – Christmas bonus total for all staff – \$1,400
- Africa office – Cash gifts to government officials and press agents - \$100 to \$500 per instance.
- Korea office – Flowers for birthdays and marriages of friends and business acquaintances of the contractor - \$70 to \$85 per instance.

Four of the five contractors failed to provide the OIM documentation of travel costs as contractually required. Also, contractor expenditure documents did not always contain sufficient detail of the items purchased or services received.

We also reviewed 25 out-of-state travel expenditure documents which disclosed that the OIM does not maintain sufficient documentation to determine if the most cost-effective means for travel was selected. The travel authorizations for the trips reviewed did not include any documentation that showed how the traveler arrived at the travel decision made. The OIM said they conduct such analyses and discard the documentation after the travel form is authorized.

All reports are available on our website: www.auditor.mo.gov

DEPARTMENT OF ECONOMIC DEVELOPMENT
OFFICE OF INTERNATIONAL MARKETING

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Gregory A. Steinhoff, Director
Department of Economic Development
and
Randa A. Hayes, Director
Division of Business Services Group
Jefferson City, MO 65102

We have audited the Office of International Marketing (the office). The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2004, 2003, and 2002. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.
2. Evaluate the efficiency and effectiveness of certain management practices, policies, and operations.
3. Examine certain expenditures made by the office.
4. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing contracts, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to

provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in the audit of the office.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Economic Development, Office of International Marketing.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

November 23, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Blattell, CPA, CFE
In-Charge Auditor:	Terrie Laswell, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF ECONOMIC DEVELOPMENT
OFFICE OF INTERNATIONAL MARKETING
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Performance Measurement
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Export sales reported to officials of the Department of Economic Development (DED) do not fairly represent the performance of the Office of International Marketing (OIM). In addition, export sales are not confirmed and data supporting export sales is not properly maintained. Department officials rely on information provided by the international offices to make management and operating decisions; thus, this information must be accurate. In difficult economic times when funding is limited, department officials need to know which offices are operating the most efficiently to allow them to make the best decision regarding use of available resources.

The OIM reported and claimed success for approximately \$1.3, \$1.1 and \$3.1 billion in export sales for fiscal years 2004, 2003, and 2002, respectively. The OIM measures its performance by claiming success for export sales by Missouri companies it assists in the international markets without considering the amount of assistance, if any, provided for the sales claimed. Our request for supporting documentation related to 42 export sales, totaling approximately \$1.6 billion, noted numerous discrepancies that raised substantial data integrity issues. These export sales were included in the quarterly reports to department officials as a measure of the OIM's performance. The purpose of the review was to determine if the export sales reported were accurate and fairly represented the performance of the OIM. Discrepancies were noted as follows:

A. The OIM is claiming success on numerous export sales when it provided little or no assistance to the applicable Missouri company. It appears the export sales reported do not fairly represent the performance of the OIM. For example:

- We noted the OIM had claimed success and reported an advocacy export sale for \$1.2 billion in fiscal year 2004. An advocacy sale is where the Missouri company initiates and does all the groundwork for a possible sale to an international buyer but needs assistance from the state government before the sale can be secured. The OIM can assist in various ways; it can write a letter to the buyer indicating the government is behind the sale and the company is in good standing, and/or it can attend social functions where the buyer's representatives are present.

For a normal sale, the OIM works with the Missouri company in locating possible buyers and lays the foundation for possible sales. In these instances, the OIM's function can be extremely important and very time consuming. However, the OIM's function in assisting a company with an advocacy sale is

very minimal; thus, it does not appear its performance should be enhanced by reporting these types of export sales in the same manner as a normal sale.

- We noted numerous export sales that were reported by OIM's Korea office contractor in which the Missouri company did not know the Korea office was assisting them in securing new export sales. The OIM indicated that the Missouri companies had paid representatives in Korea and the Korea office contractor would contact the Missouri company's representatives to inquire if they needed assistance and in a few instances provided possible international buyer contacts. As a result of this casual contact with the Missouri company's representative, the OIM's Korea office contractor reported export sales made by these Missouri companies in its reports to department officials. By the Missouri company having a paid representative in Korea it appears that the assistance provided by the OIM's Korea office was very minimal: thus, it does not appear the OIM's performance reports should be enhanced by reporting these types of export sales.

B. The OIM is reporting export sales in their reports to the directors without ensuring the amount is accurate. For example:

- We noted several instances where the same export sale amount was reported for several months. OIM personal stated that it was OIM policy to claim success and report the export sales for one year when a Missouri company established a new international distributor as a result of the OIM's assistance. The OIM contacts the Missouri company and asks for the amount of the first sale which is then reported each month for 1 year. The OIM does not follow-up with the company to ensure monthly sales remained consistent month to month. We noted an email from a Missouri company that stated they had "confirmed a \$5 million order". Nowhere in the correspondence did the company indicate the export sales would be \$5 million each month. However, the export sale was reported by the OIM as \$5 million in export sales each month for 1 year. The OIM did not contact the company to ensure export sales continued at \$5 million each month.

This does not appear to be a proper means to measure the performance of the OIM. By not following up with the company, the OIM could be misreporting their outcomes and errors in reporting will not be detected.

- We noted an export sale that was reported at \$6 million when the OIM did not know the actual sale amount. The OIM had assisted a company in obtaining only the design portion of a \$6 million international project. However, the OIM did not know how much the company was going to receive for the design portion, so the whole amount was reported.

- We noted an export sale that was reported at \$400,000. However, the amount was actually an import sale where the Missouri company had purchased products from an international company.
- C. Data supporting export sales has not been properly maintained to support the OIM's performance, as reported to DED officials. Of the 42 export sales documentation was requested for, the OIM could not provide adequate support for 25 (60 percent) of the export sales. OIM personnel stated that a majority of the export sales information was obtained by telephone calls or emails, which were not documented or maintained. Without adequate documentation the integrity of the export sales reported is diminished.

The primary purpose of the performance measure should be to show progress in achieving the OIM's desired objectives. Therefore, the OIM should take necessary steps to ensure accountability over data presented by using a sound basis to track progress or achievements.

There is no evidence that any party detrimentally relied on the unsupported export sales information found in the reports. However, since the unsupported export sales information is being distributed to department officials, the legislature, and the public, it is essential that it be accurate and properly documented by the OIM.

WE RECOMMEND the DED, through the OIM, improve their performance measurement process by using data that is adequately supported and that tracks the progress and emphasizes accountability of the OIM.

AUDITEE'S RESPONSE

The Department agrees with the recommendation of the State Auditor's office, and the Office International Marketing (OIM) has implemented the following procedures to ensure compliance and emphasize accountability and adequate support for data supplied by foreign offices.

The OIM utilizes a multiple phase process when assisting Missouri firms. International representatives (foreign offices) in cooperation with domestic trade staff work in cooperation to promote export trade and provide Missouri companies assistance in locating potential buyers; strategic and joint venture partners, marketing research; trade show and trade mission support as well, providing facilitative services to foreign firms looking to invest in Missouri.

Company projects regarding trade assistance are worked in tandem between staff in Missouri and the foreign office. It is worth noting, that there are few "standard" international projects that fit into a set mold, however, for the most part, a company project usually involves the following:

- *Domestic staff conducts on-site visits and company consultations, which advance data collection on specific trade needs including the necessary and ideal requirements of potential partners.*

- *Data collected is relayed to the foreign office.*
- *Clarifying questions are posed to the company by the foreign office and/or the domestic staff and followed up by the domestic staff if necessary.*
- *A local market search is initiated by the foreign office to identify all appropriate business partners.*
- *Once the search has been exhausted, a report or list of potential business partners is relayed to the company.*
- *Both the foreign office and domestic staff continue to provide follow up support and assistance to the company as necessary.*

The process above is monitored by the Manager of the International Trade & Investment (ITI) Office (formerly the OIM) and the documentation is reviewed and maintained in her office and periodically reported to the Business Development & Trade Division Director.

Once the company has identified the ideal partner from the report provided, an entirely new phase of customer interaction and assistance begins, again in tandem between domestic staff and the foreign office. This phase includes the following:

- *Background checks and credit reports on the foreign partner.*
- *Technical assistance on shipping and logistics.*
- *Certificates of Free Sale.*
- *Rate quotes on international professional services should they be required.*
- *Price negotiations.*
- *Export financing.*
- *Contract development.*
- *Closing the sale and collecting payment.*

Again, the relationship/interaction above is documented in its entirety and the subject records are maintained and reviewed by the ITI Manager, who periodically reviews the information with the Business Development & Trade Division Director.

The entire process can take anywhere between 3 months and two years to complete and in some instances, even longer based on the technical nature of the partner search. Quite often, the process may stall at price sensitivities and negotiation and a sale will not be realized. Thus, the process begins all over again.

Since July 2004, a new system of tracking office performance was implemented, the Client Impact Statement (CIS). The Client Impact Statement has evolved into a vital management tool and performs a number of functions including: service effectiveness; customer satisfaction rating; company comments on service and a section whereby a Missouri company can voluntarily include the dollar amount of sales realized based on the services provided.

Since January 2005, the ITI has been working to develop a client tracking system in-house. The ITI has contracted the DED's MIS group to develop a web-based client tracking system in order to properly track customer contacts and action steps by both domestic staff and the foreign offices. The system will incorporate real-time interface and data collection; have the capability

to create staff and foreign office reports instantaneously, as well, as provide a performance-measuring tool (CIS interface) to further track the progress and accountability of the ITI.

Since January 2005, the ITI measures program performance in the following areas:

- *Effectiveness: Number of jobs created based on service. Obtained during semi-annual survey of clients served.*
- *Efficiency: Return on investment based on Average Cost per Client and Average Cost per Service provided collected on a quarterly basis.*
- *Number of Clients: Quantitative measure of companies seeking assistance to include new clients to the program. Provided on a quarterly basis.*
- *Customer Satisfaction: General satisfaction obtained monthly on a per service basis. Detailed satisfaction quotient obtained during semi-annual customer survey.*

In order to ensure compliance and emphasize accountability and adequate support for data supplied by foreign offices, the Manager of the ITI Office reviews and maintains this program performance measurement information and periodically reviews the information with the Business Development & Trade Division Director.

2. Monitoring of Contractors

The OIM did not document its review of the contractors' activity reports, did not ensure the contractors were in compliance with all contract provisions, did not review the expenses of their contractors, did not compare the contractors' budget to actual expenses, and failed to ensure contractors' expenditure documents contained sufficient detail.

During the audit period, the OIM contracted with five contractors to provide international marketing services for Missouri business in offices located in Korea, Africa, Japan, Mexico, and Europe. These contract payments totaled approximately \$1.1 and \$1.2 million for Fiscal Years 2004 and 2003, respectively. According to DED officials, the contractor payments are based on completion of performance objectives as opposed to the actual expenses incurred during the period. Therefore, the contractor receives 1/12th of their contract amount each month after the monthly program report and an invoice requesting payment is received, with the final payment held until the year-end compliance report is received. Our review of the contracts noted the following concerns.

- A.1. The OIM failed to document their review of the contractors' monthly program reports and the year-end compliance reports prior to payment. The contracts state that "upon review and approval of the program report and payment request, payment shall be forwarded to the contractor." The monthly program reports and the year-end compliance reports are the management tools that the OIM uses to monitor the activities of the contractors to ensure the intended services were provided and the outcomes proposed were achieved. The reports indicate the services the contractor provided to various Missouri businesses, any export sales that resulted from the contractor's efforts to help Missouri businesses, and other

applicable activities that were performed under the contract. Our review of the program and year-end compliance reports noted several errors in the export sales reported from month to month and in the year-end compliance report. If the OIM had properly reviewed the reports, these errors could have been caught and corrected, and the contract renewal decisions would have been based on accurate information. The OIM stated the reports are reviewed but the review is not documented and OIM is in constant contact with each of the contractors because they work as a team in promoting Missouri business.

2. In addition to the monthly program reports and the year-end compliance reports, the OIM receives a budget from each of the contractors, which indicate how the contractors will expend the monies awarded. The OIM failed to use these budgets as an additional tool to monitor the contractors' expenses and to ensure the state was receiving the services they expected for the payment made to each contractor. We reviewed 1 year's actual expenses for each of the contractors and noted the following contractors received more state funding (amounts noted) than was budgeted to operate the international offices:

- FY 04 – Europe \$7,000
- FY 03 – Japan \$6,500
- FY 04 – Korea \$1,800
- FY 04 – Mexico \$1,100

Failure to properly review and document the monitoring efforts of the contractor reports and compare the contractors' budget to actual office costs and hold the contractor accountable decreases the effectiveness of the reports and budgets as a performance tool for contracted services. In addition, OIM cannot ensure the contractors are meeting OIM's expectations or that state funds were used as intended without properly monitoring the contractors' activities.

- B. Four of the five contractors failed to provide the OIM documentation of travel costs as required in their contracts. The contracts state that "funds will be paid to the contractor on a monthly basis upon receipt of invoices requesting payment, documentation of travel costs above \$25 per item, and a monthly program report." DED officials indicated that since payments to the contractors are performance based there is no need for the OIM to receive documentation of travel costs and the intent of the contract requirement was for the contractors' accounting agent to maintain the documentation of travel cost not the OIM. The DED's interpretation of the contract provisions appears to significantly contradict the actual provisions.

Failure to ensure all required documents are received prior to payment decreases the effectiveness of the contract requirements which are used as management tools to ensure contractors are performing as intended.

- C. Neither the DED nor the OIM reviews contractor expenditures to ensure they are reasonable and necessary for the conduct of state business. We reviewed

expenditures made by each of the contractors and noted several expenditures that did not appear to be a prudent use of state monies or a necessary cost of operating Missouri's international offices. The following expenditures are examples of expenses claimed by the contractors and paid by the state that appeared to be unnecessary:

- Japan office - Director bonus - \$14,000
- Mexico office - Christmas bonus total for all staff - \$1,400
- Korea office - Flowers for birthdays and marriages of friends or business acquaintances of the contractor - \$70 to \$85 per instance.
- Korea office - Fruit basket to a business acquaintance of the contractor for birth of a child - \$60
- Europe office - Alcoholic beverages - \$32
- Africa office - Cash gifts to government officials and press agents - \$100 to \$500 per instance

The DED and OIM need to evaluate future contractor expenses in an effort to eliminate unnecessary costs and to ensure that purchases made by the contractors are necessary costs of operating the Missouri offices and are efficient uses of state resources. Without adequate procedures in place to monitor contractor expenditures, the OIM cannot ensure either the reasonableness or propriety of expenditures nor compliance with contract terms.

- D. Contractor expenditure documents did not always contain sufficient detail of the items purchased or services received. For example, a bank transfer receipt, in the amount of approximately \$6,600, was the only document provided as support for construction costs. The receipt only indicated the amount transferred and the account name transferred to. The contractor could not provide any documents from the construction company to support the work that was done. We also noted several other expenditures where the contractor could not provide an invoice or a receipt.

Without sufficient documentation that adequately details how monies were expended, the OIM has little assurance that state funds were being used as intended. This is essential when the majority of the supervision of the contractors is through phone conversations.

WE RECOMMEND the DED and OIM:

- A. Thoroughly and properly review all contractor reports and document the results of these reviews. All necessary corrections and deficiencies should be resolved before any payments are made. In addition, procedures should be established to ensure contractors' budgets are compared to actual expenses and the information obtained is used as a performance tool for the contracted services.

- B. Monitor contractors to ensure requirements are met, state funds are used in accordance with contracts, and expected results are achieved.
- C. Establish procedures to ensure contractor expenditures are periodically reviewed for reasonableness and propriety.
- D. Ensure contractors maintain detailed documentation to support all expenditures.

AUDITEE'S RESPONSE

The Department agrees with the recommendation of the State Auditor's office, and the ITI has implemented the measures below in an effort to ensure compliance by foreign offices with the contract terms as well as allow for stricter accountability guidelines in reviewing expense and contract requirement issues. Each month the ITI foreign offices submit a written monthly report, which includes: a summary of services provided; individual company activities and assistance provided; description of trade promotion projects and activities; time allocated per each client and project; along with the invoice for the month's services in accordance with the contract for services.

Effective February 15, 2005, each foreign office report submitted on the 10th of the month following the month of service is reviewed and evaluated by the Manager of the ITI Office.

The following review process has been developed whereby submitted reports are reviewed against the previous month's reports for accuracy and content. If additional information is necessary, that foreign office is asked for clarification or supporting documentation. The foreign office is then required to re-submit the edited/amended report for approval.

Upon satisfactory submission of the report, the Manager of the ITI Office indicates final approval by initialing the report. The reports are then submitted to the Division of Business Development & Trade's Manager of Budget & Planning who also evaluates the reports, ensures compliance with the contract provisions, and initials upon conclusion. The reports are then submitted to the file.

Once the reports have been cleared for submission to the file, the Manager of the ITI Office reviews each foreign office invoice, appraising the content and appropriateness of expenditures. The invoices are assessed by a thorough review of the receipts. Once the receipts have been reviewed and accepted, the invoice is initialed by the Manager of the ITI Office and the Manager of Budget and Planning to indicate compliance with the contract provisions and approval of payment. The invoice is then sent to the DED's fiscal office to process for payment.

The audit noted discrepancies occurring between the contract amounts and the actual expenses of the foreign office contractors. These contracts were performance-based contracts requiring a monthly set fee to be paid and was not tied to actual expenditures. The contract language required that the flat monthly fee be paid to the contractor upon receipt and approval of invoices, itineraries, client reports, program reports, and travel receipt documentation.

In April 2005, the ITI Office requested a complete review of all foreign office contract language to include budget and reporting methodologies in an effort to provide a more consistent and comprehensive method of internal control and management of each foreign office. The ITI Manager, the Manager of Budget & Planning, and the Business Development & Trade Division Director are undertaking a thorough review of the terms of each ITI foreign office contract at the time of renewal, in conjunction with the DED General Counsel, to ensure that all terms of the contract, accountability measures and compliance expectations are set forth in the contract.

An additional method of internal control will be implemented in May 2005 and has already been developed by the ITI Office. A voluntary internal or self-audit system has been initiated with regard to the oversight of the foreign offices. Each quarter, a foreign office will be selected at random and audited for a period of one month within the previous fiscal quarter. A comprehensive review of the monthly report and expenditures will be evaluated and crosschecked for accuracy and content.

A special report will be submitted to the file indicating the period of the internal audit, the findings if any, and all necessary steps required to resolve any discrepancies noted. The first self-audit to be conducted by the International Trade & Investment Office will involve the appraisal of the Mexico Office operations for the month of January 2005.

3. Out-of-State Travel

We reviewed 25 out-of-state travel expenditure documents which disclosed that the OIM does not maintain sufficient documentation to determine if the most cost-effective means of travel was selected. The OIM spent a total of approximately \$13,100, \$14,800, and \$28,700 for out-of-state travel in fiscal years 2004, 2003, and 2002, respectively. Commercial airline is the preferred mode of travel for out-of-state official business, training, meetings, or conferences. Travel regulations do not require state employees to use the lowest available airfare. There are a number of considerations that must be evaluated to fully consider all travel costs such as alternate airline, flight times, layovers, weekend stays, and additional meals.

Travel authorization forms are used by the OIM and approved by the budget and planning manager and director of the Business Services Division. All costs, including transportation costs, are estimated and sent to the budget and planning manager for initial authorization, then to the division director for final approval. The travel authorizations for the trips reviewed did not include any documentation that showed how the traveler arrived at the travel decision made. We could not determine if alternate flight times and fares, travel schedules, airlines, and number of days in travel were considered before selecting the method used. Therefore, we could not determine if the budget and planning manager and division director had appropriate documentation available to make informed decisions.

The OIM said they conduct such analyses and discard the documentation after the travel form is authorized. At the time of our audit, the DED stated that it was in the process of

revising the travel policy, which would require employees to do a cost-benefit analysis for all out-of-state travel.

Without cost-benefit analyses documenting that the most economical means of travel available was used, we could not determine whether employees considered alternatives and whether the budget and planning manager and division director were able to fully evaluate the travel decisions being made by employees to ensure travel costs were minimized.

WE RECOMMEND the DED amend its state travel regulations to require the OIM to prepare and maintain documentation regarding travel costs analyses.

AUDITEE'S RESPONSE

The Department agrees with the recommendation of the State Auditor's office and implemented a new travel policy effective December 14, 2004. The policy requires a cost comparison to be completed and submitted with the Out of State Travel Authorization form. The ITI is required to adhere to the travel policy of the DED for cost comparisons and other issues related to out-of-state travel.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF ECONOMIC DEVELOPMENT
OFFICE OF INTERNATIONAL MARKETING
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Missouri Department of Consumer Affairs, Regulation and Licensing was created July 1, 1974, with the Omnibus State Reorganization Act. Effective September 7, 1984, the department's name was changed to the Department of Economic Development (DED) as a result of the adoption of a constitutional amendment. The department is composed of several agencies organized to execute statutory requirements and department policies in the areas of economic development, regulation of business and financial institutions, and professional registration.

Joseph L. Driskill served as the Director from May 1993 to December 2003. Kelvin Simmons served as the Director from January 2004 to January 9, 2005. Garry Taylor served as Acting Director from January 10, 2005 to January 26, 2005, when Gregory A. Steinhoff became director.

The director appointed by the governor and confirmed by the Senate, is the chief executive officer of the department. The director appoints the central management staff and principal division directors, supervises the department agencies, and advises the governor and General Assembly on matters relating to the department.

The Business Development and Trade Division helps businesses to experience growth in sales and increased investment in their operations. This division is organized into five primary sections, with the Office of International Marketing (OIM) being one of those sections. The current director of the Business Development and Trade Division is Randa A. Hayes.

The OIM had approximately 9 full-time employees and one contracted employee as of June 30, 2004.

The OIM assists Missouri businesses to create new business opportunities in the global market. The OIM operates several offices throughout the world. At June 30, 2004, offices were located in Seoul, Korea; Accra, Ghana; Tokyo, Japan; Monterey, Mexico; London, England; and Mainz, Germany.

In January of 2005, the OIM name was changed to International Trade & Investment.

Each office in cooperation with staff in Jefferson City provide the following services:

- International Sales Consulting:
 - Advice and technical assistance on export marketing.

- Agent/Distributor Search:
 - Assistance in locating buyers for Missouri goods and services through local business partners, representatives, agents and distributors.
- Catalog Shows and Material Distribution:
 - Low cost means of circulating Missouri product or service literature in cooperation with the US Department of Commerce with the objective of facilitating new contacts and international sales.
- Foreign Trade Missions:
 - Itinerary development; one-on-one meetings; and logistical support all but a few of the services domestic and global office staff provide in order for Missouri firms to gain a first hand understanding of a prospective market and identify local business partners.
- Trade Finance:
 - An experienced staff loan officer is on staff to assist firms with Export-Import Bank loans, guarantees and insurance.
- International Trade Shows:
 - International trade shows are a key marketing tool for selling Missouri goods abroad. Staff assists with identifying booth space; promotional materials and displays, one-on-one appointments at the venue, as well as logistical support.
- Trade Leads:
 - Primary function of all of the Missouri global offices. Missouri companies require information on the market demands of goods and services and Missouri offices assist by informing them of the market requests.

DEPARTMENT OF ECONOMIC DEVELOPMENT
OFFICE OF INTERNATIONAL MARKETING
ORGANIZATION CHART
JUNE 30, 2004

